

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

**RULE 37 CASE NO. 0226766
DISTRICT 6E**

**APPLICATION OF FALCON RESOURCES,
INC. FOR AN EXCEPTION TO STATEWIDE
RULE 37 TO DRILL WELL NO. 2, T.
FERGUSON LEASE, EAST TEXAS FIELD,
RUSK COUNTY, TEXAS**

FINAL ORDER

The Railroad Commission of Texas has received and docketed this application for a spacing exception permit under the provisions of Statewide Rule 37 and makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Notice of the hearing on the application was issued by the Railroad Commission on November 28, 2000. The hearing on application was held on December 8, 2000.
2. Pursuant to the June 24, 1957 Railroad Commission memorandum entitled *Rule 37 and Density Policy for East Texas Field Applications*, tracts located on the edge of the East Texas Field are entitled to a well drilled on 233 foot lease-line spacing and 467 foot between-well spacing if there are five productive acres available to assign to the well.
3. Falcon Resources, Inc. has applied on Form W-1 (Application for Permit to Drill, Deepen, Plug Back or Re-Enter) to drill the T. Ferguson Well No. 2 for completion in the East Texas Field. The proposed drillsite location is 233 feet from the nearest lease line and 467 feet from the nearest well completed in the field.
4. The T. Ferguson Well No. 2 will be the second well on the lease completed in the East Texas Field.
5. The T. Ferguson Lease is an edge tract in the East Texas Field.
6. There are five productive acres available to assign to the proposed T. Ferguson Well No. 2.
7. There are no protests to the application. Bargo Energy Company, which is the offset operator to the T. Ferguson Lease, executed a waiver of objection to the proposed well on April 17, 2000.

CONCLUSIONS OF LAW

1. The application on Railroad Commission Form W-1 was properly filed.
2. Proper notice was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
3. All things have occurred to give the Railroad Commission jurisdiction to decide this matter.
4. This application satisfies the requirements set out in the July 1, 1957, *Rule 37 and Density Policy*

for East Texas Field Applications for permitting a well on an edge tract in the East Texas Field.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Falcon Resources, Inc. for a spacing exception permit under the provisions of Statewide Rule 37 to drill Well No. 2, T. Ferguson Lease, containing 66.5 acres of land in the Daniel Clark Survey, Abstract No. A-162, for the East Texas Field, Rusk County, being 3 miles in a southerly direction from Kilgore, Texas as shown by plat submitted be and is hereby **APPROVED**; and applicant is granted permission to drill Well No. 2, which is located as follows, subject to the conditions listed below:

700' from the southerly west line and 233' from the southerly north line of the lease
3450' from the west line and 4158' from the north line of the survey

CONDITIONS

1. **Fresh Water Sand Protection.** The well must have sufficiently cemented sufficient surface casing to protect all usable-quality water as defined by the Texas Natural Resource Conservation Commission. Before drilling a well, the operator must obtain a letter from the Texas Natural Resource Conservation Commission stating the depth to which water needs protection. A copy of the letter shall be filed with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon)

with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

7. **Notification of Plugging a Dry Hole.** The operator MUST call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification MUST be able to advise the district office of the docket number and all water protection depths for that location as stated in the Texas Natural Resource Conservation Commission letter.
8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.
10. **Motion for Rehearing.** Pursuant to TEX. GOV'T CODE §2001.147 and with the agreement of the applicant who is the sole party to this action, the time period for filing a motion for rehearing expires on the date the order is entered.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this _____ day of _____, 2000.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN MICHAEL L. WILLIAMS

COMMISSIONER CHARLES R. MATTHEWS

COMMISSIONER TONY GARZA

ATTEST:

SECRETARY